

BERKLEY OIL AND GAS LTD.

Incorporated Under the Laws of Alberta

CAPITALIZATION

Authorized 4,000,000 shares No Par Value

Issued Capital 2,124,770 shares

REGISTERED OFFICESuite 402, 330 Ninth Avenue S.W.,
Calgary 2, Alberta.**DIRECTORS**Lawton L. Clark
Harold E. Hunt
C. Derek Gould
Brian G. McCombe**OFFICERS**

Lawton L. Clark	President
C. Derek Gould	Vice-President
Brian G. McCombe	Secretary
Florence M. Pickering	Ass't Secretary
Dana Wardell	Ass't Secretary

**TRANSFER AGENT
AND REGISTRAR**The Canada Trust Company,
528 - 8 Avenue, S.W.
Calgary 2, Alberta.**AUDITORS**Thorne, Gunn, Helliwell & Christenson,
Third Floor, 330 - 9 Avenue, S.W.
Calgary 2, Alberta.**BANKERS**Canadian Imperial Bank of Commerce,
309 - 8 Avenue, S.W.,
Calgary 2, Alberta.**SOLICITORS**McLaws & Company,
Sixth Floor,
407 - 8 Avenue S.W.,
Calgary 2, Alberta.

INTERIM REPORT AND FINANCIAL STATEMENTS

SIX MONTHS ENDED**MARCH 31, 1971**

AMALGAMATED, AUG. 13, 1971, WITH
CANADIAN PETROLEUM OIL LTD. TO
FORM PAGE PETROLEUM LTD

BERKLEY OIL AND GAS LTD.

Suite 402, 330 - Ninth Avenue S.W., Calgary 2, Alberta

Telephone 269-8221

REPORT TO THE SHAREHOLDERS

FINANCIAL

Revenues for the period September 30, 1970 to March 31, 1971 were \$188,210 compared to \$85,607 for the same period last year. Net oil and gas sales totalled \$64,764 compared to \$48,228. Net income amounted to \$27,786. Other comparative figures for the same period last year are not available because of the change to full cost accounting initiated last year (See Note #1 to Financial Statements).

EXPLORATION

During the reporting period, the Company participated in exploratory wells at Marten Hills and Carson Creek in northern Alberta. Both were unsuccessful.

The Company is now forming a Limited Partnership to participate in about eight wildcat wells during the next few months. Most of the drilling will be in shallow gas areas. Berkley will receive an administration fee and will retain a 30 percent interest in each project. A similar arrangement is planned for a fall and winter drilling program.

Surface geological studies and gravity surveys indicate the presence of a large anticlinal structure on one of the Petroleum Licences held by Berkley Petroleums (U.K.) Ltd. in southern England. A seismic program is planned this summer on the structure to pick a location for drilling in early 1972. This feature is 25 miles from oil production Kimmeridge. Other companies have seismic programs planned or underway on lands near our licences.

PRODUCTION

Production was mainly from the Mitsue Gilwood Sand Unit No. 1. In accordance with the Mitsue Unit Agreement signed by the Company on July 24, 1969, the final tract factors in the Mitsue Gilwood Sand Unit No. 1 will come into effect on September 1, 1971. These final tract factors will reflect the reserves allocated to the lands contributed by each company to the Unit instead of the land area only. The net effect for Berkley Oil and Gas Ltd. is to increase its interest from .448438% to .459115% with a proportionate increase in its share of revenues from the Unit. Production from the field continues to improve as the waterflood, gas plant and underground gas storage facilities take effect.

During the past year, total field production averaged 32,305 BOPD; during the past six months it averaged 32,651 BOPD, and in March, 1971, it averaged 40,480 BOPD, the highest monthly production to date.

At Golden Spike one producing well has been reworked with an increase of productivity to 20 BOPD from 8 BOPD. Further reworks are planned if the increase in production is sustained.

PROPOSED AMALGAMATION WITH CANADIAN FORTUNE OIL LTD. TO FORM PAGE PETROLEUM LTD.

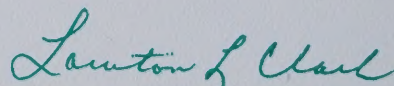
As you know, the shareholders of Berkley and Canadian Fortune will meet separately June 14, 1971, to vote on the proposed amalgamation of the two companies to form Page Petroleum Ltd. At the present time, the same persons serve as directors for both Berkley and Fortune, and in addition, the principal officers of each of the companies are the same. Since Berkley and Fortune hold their major producing oil and gas properties jointly or in the same area, and both companies jointly participate in ventures and acquisitions it is the opinion of the directors of the companies that the duplication of records and costs of administration will be substantially reduced by the proposed amalgamation.

Your directors believe that the increased base of the amalgamated company will enhance our competitive position in the search for oil and gas reserves.

It is intended that the shares of Page Petroleum Ltd. will be traded on both the Toronto and Vancouver stock exchanges. It is hoped that this consolidation will make the shares more attractive for the present shareholders and will facilitate any future underwritings required to provide funds for developing oil and gas reserves.

Your Board of Directors recommends the approval of the proposed statutory amalgamation.

Yours truly,



President.

BERKLEY OIL AND GAS LTD.

and subsidiary company

(Incorporated under the laws of Alberta)

INTERIM CONSOLIDATED BALANCE SHEET

MARCH 31, 1971 (unaudited)

(with comparative figures at September 30, 1970)

	ASSETS	1971	1970
CURRENT ASSETS			
Cash and short term deposits \$	34,462	\$ 149,595	
Marketable securities, at quoted market value (cost \$62,069) _____	47,046	46,940	
Accounts receivable _____	91,290	78,934	
Prepaid expenses _____	29,950	800	
	<u>202,748</u>	<u>276,269</u>	
TRUST FUNDS (note 2) _____	113,179	72,987	
INVESTMENT, at cost (note 3) _____	180,769	180,769	
CAPITAL ASSETS, at cost (note 4)			
Oil and gas properties, less accumulated amortization (1971, \$72,538; 1970, \$58,177) ____	560,710	530,354	
Production and other equipment, less accumulated depreciation (1971, \$80,344; 1970, \$69,351) _____	100,913	99,869	
	<u>661,623</u>	<u>630,223</u>	
OTHER ASSETS, at cost			
Drilling deposits _____	16,923	20,111	
	<u>\$ 1,175,242</u>	<u>\$ 1,180,359</u>	

LIABILITIES

CURRENT LIABILITIES			
Accounts payable and accrued liabilities _____	\$ 102,458	\$ 169,748	
Estimated principal due within one year on long-term debt _____	12,000	12,000	
	<u>114,458</u>	<u>181,748</u>	
LONG-TERM DEBT			
Bank loan (note 5) _____	63,195	69,000	
Less principal included in current liabilities _____	12,000	12,000	
	<u>51,195</u>	<u>57,000</u>	
TRUST FUNDS (note 2) _____	113,179	72,987	

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 6)			
Authorized 4,000,000 Shares of no par value			
Issued 2,124,770 Shares _____	654,270	654,270	
CONTRIBUTED SURPLUS _____	300	300	
RETAINED EARNINGS _____	241,840	214,054	
	<u>896,410</u>	<u>868,624</u>	
	<u>\$ 1,175,242</u>	<u>\$ 1,180,359</u>	

CONTINGENT LIABILITY (note 2)

INTERIM CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

(unaudited)

SIX MONTHS ENDED MARCH 31, 1971

(with figures for the year ended September 30, 1970)

	1971 (6 months)	1970 (12 months)
Revenue		
Oil and gas sales _____	\$ 98,711	\$ 158,879
Royalties _____	925	1,990
Administration and well operating fees _____	16,978	31,511
Sales of petroleum interests acquired for resale _____	33,280	15,000
Drilling arrangements _____	38,316	40,500
	<u>188,210</u>	<u>247,880</u>
Expenses		
Well operations _____	12,495	25,309
Cost of petroleum interests sold _____	—	5,566
Cost of drilling arrangements _____	28,205	27,034
Lease rentals _____	6,085	3,123
Royalties _____	21,452	31,595
Administrative _____	68,585	102,727
	<u>136,822</u>	<u>195,354</u>
	<u>51,388</u>	<u>52,526</u>
Investment income _____	1,646	6,228
Increase (decrease) in quoted value of marketable securities _____	106	(11,856)
Income before amortization, depreciation and write off of organization costs _____	53,140	46,898
Amortization of oil and gas properties _____	14,361	25,872
Depreciation of production and other equipment _____	10,993	22,787
Write off of organization costs _____	—	10,018
	<u>25,354</u>	<u>58,677</u>
NET INCOME (LOSS) FOR THE PERIOD (note 7) _____	27,786	(11,779)
Retained earnings at beginning of period _____	214,054	225,833
RETAINED EARNINGS AT END OF PERIOD _____	<u>\$ 241,840</u>	<u>\$ 214,054</u>
Earnings (loss) per share based on common shares outstanding during the period after including the number of shares issuable on the exercise of 120,000 share options outstanding (140,000—1970)		
Net income (loss) for the period _____	<u>\$ 0.01</u>	<u>\$ (0.005)</u>

BERKLEY OIL AND GAS LTD.

and subsidiary company

INTERIM CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(unaudited)

SIX MONTHS ENDED MARCH 31, 1971

(with figures for the year ended September 30, 1970)

	1971 (6 months)	1970 (12 months)
SOURCE OF FUNDS		
Income before amortization, depreciation and write off of organization costs	\$ 53,140	\$ 46,898
Bank loan	—	57,000
Reduction in drilling deposits	3,188	—
	<u>56,328</u>	<u>103,898</u>
APPLICATION OF FUNDS		
Additions to capital assets, net	56,754	261,687
Additional drilling deposits	—	10,961
Reduction in bank loan	5,805	—
	<u>62,559</u>	<u>272,648</u>
DECREASE IN WORKING CAPITAL	6,231	168,750
WORKING CAPITAL AT BEGINNING OF PERIOD	94,521	263,271
WORKING CAPITAL AT END OF PERIOD	<u>\$ 88,290</u>	<u>\$ 94,521</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

SIX MONTHS ENDED MARCH 31, 1971

1. BASIS OF PRESENTATION

All of the outstanding shares of C. D. Gould, Geologist, Ltd. were acquired for a consideration of 50,000 shares of the company's capital stock (note 6) effective November 6, 1969 although the closing date of the agreement was not until December 22, 1970. Accordingly, the assets, liabilities and operations of this subsidiary have been included in these financial statements and the 1970 figures reflected herein have been restated on a consolidated basis giving retroactive effect to the effective date of the agreement.

Comparative balance sheet figures as at March 31, 1970 and income and source and application of funds figures for the six months then ended have not been provided as:

- consolidated financial statements were not prepared, and
- the acquisition and development costs of oil and gas properties were not maintained on a full cost basis during that period (note 4).

2. TRUST FUNDS

These funds represent royalties payable by the Company and are held in trust as the royalty holders have launched legal proceedings challenging the manner in which Berkley Oil and Gas Ltd. has calculated the royalties. The potential additional liability is \$8,500.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

3. INVESTMENT

The investment consists of 997,017 common shares in Canadian Fortune Oil Ltd. representing 28% of the issued capital stock with quoted market value of \$124,627. (1970 - \$124,627).

4. CAPITAL ASSETS

- The company employs the full cost basis of accounting for acquisition and development cost of oil and gas properties, whereby all such costs are capitalized and amortized by a unit of production method based on the estimated total proven reserves.
- Depreciation of production and other equipment is provided on the diminishing balance method.

5. BANK LOAN

The bank loan is secured by a general assignment of accounts receivable and specific oil and gas properties and is repayable from proceeds of production.

6. CAPITAL STOCK

During the period 50,000 shares at \$1 per share were issued in satisfaction of the agreement referred to in note 1. The 1970 capital stock figures have been adjusted to reflect this increase as the agreement was retroactive to November 6, 1969.

As at March 31, 1971, 120,000 share options granted to employees remained outstanding. Subsequently, options for 39,999 shares were exercised at \$.90 per share.

7. INCOME TAXES

For income tax purposes the company claims lease acquisition, exploration and drilling costs in amounts different from the related amortization reflected in the accounts. As a result, no income taxes are currently payable.

The Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in timing of deductions for tax and accounting purposes. The company, however, in common with many other companies in Canada, believes that tax allocation in respect of intangible development costs is not appropriate, and this position is accepted by accounting authorities outside Canada. Accordingly, it is the company's policy not to provide in its accounts for taxes deferred as a result of the excess claims for lease acquisitions, exploration and drilling costs. If the tax allocation basis in respect of such differences had been followed in the current and prior years, net income for the period would have been reduced by approximately \$14,000 (1970 would not have been affected) and the cumulative amount of deferred tax credits to March 31, 1971 would have been approximately \$121,500.

8. SUBSEQUENT EVENT

On April 26, 1971 the company, together with Canadian Fortune Oil Ltd., signed an amalgamation agreement calling for, subject to ratification by the shareholders, the creation of a new company to be known as Page Petroleum Ltd. Shareholders of Berkley are to receive one share of Page for each two Berkley shares held.